

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

Audit Report

## **INTRADISTRICT ATTENDANCE PROGRAM**

Chapter 161, Statutes of 1993,  
and Chapter 915, Statutes of 1993

*July 1, 2000, through June 30, 2003*



**STEVE WESTLY**  
California State Controller

December 2005



**STEVE WESTLY**  
California State Controller

December 23, 2005

Ginger Shattuck, Superintendent  
Norwalk-La Mirada Unified School District  
12820 Pioneer Boulevard  
Norwalk, CA 90650-2894

Dear Ms. Shattuck:

The State Controller's Office audited the costs claimed by the Norwalk-La Mirada Unified School District for the legislatively mandated Intradistrict Attendance Program (Chapter 161, Statutes of 1993, and Chapter 915, Statutes of 1993) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$427,380 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported costs. The State paid the district \$192,603, which the district should return.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original Signed By:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/ams:wq

cc: Maureen Saul, Ph.D.

Assistant Superintendent of Business Services  
Norwalk-La Mirada Unified School District

David Rivera

Director of Fiscal Services  
Norwalk-La Mirada Unified School District

Darline P. Robles, County Superintendent of Schools  
Los Angeles County Office of Education

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School Fiscal Services Division  
California Department of Education

Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education

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Fiscal and Administrative Services Division  
California Department of Education

Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Norwalk-La Mirada Unified School District for the legislatively mandated Intradistrict Attendance Program (Chapter 161, Statutes of 1993, and Chapter 915, Statutes of 1993) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was March 17, 2005.

The district claimed \$427,380 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported costs. The State paid the district \$192,603. The district should return the total amount to the State.

## Background

Chapter 161, Statutes of 1993, added *Education Code* Section 35160.5, subdivision (c). Chapter 204, Statutes of 1996, subsequently renumbered this code section to Section 35160.5, subdivision (b). The law requires the governing board of each school district, on or before July 1, 1994, to prepare and adopt rules that establish and implement an open enrollment policy for district residents. The policy must ensure that:

1. The parent or guardian of each school-aged child who is a resident in the district may select the schools the child shall attend;
2. Once an intradistrict transfer is selected, the district will ascertain the impact of the transfer upon the maintenance of appropriate racial and ethnic balances among the respective schools;
3. Intradistrict attendance in excess of school-site attendance area capacity will be determined by a random, unbiased process that prohibits pupil evaluation for enrollment based upon the pupil's academic or athletic performance; and
4. No pupil who currently resides in the attendance area of a school may be displaced by pupils transferring from outside the attendance area.

Chapter 915, Statutes of 1993, amended *Education Code* Section 35160.5, subdivision (c), to specify that the intradistrict attendance program does not apply to any school district that has only one school or to schools that do not serve any of the same grade levels. The amendment also requires school districts to determine school capacities within the district's jurisdiction.

On January 19, 1995, the Commission on State Mandates (COSM) determined that Chapters 161 and 915, Statutes of 1993, imposed a state mandate reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on May 24, 1995. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Intradistrict Attendance Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district declined our request.

## **Conclusion**

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Norwalk-La Mirada Unified School District claimed \$427,380 for costs of the Intradistrict Attendance Program. Our audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$100,964. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$91,639. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2002-03, the State did not pay the district for the program. Our audit disclosed that all of the costs claimed are unallowable.

**Views of  
Responsible  
Officials**

We issued a draft audit report on August 15, 2005. Maureen Saul, Ph.D., Assistant Superintendent of Business Services, responded by letter dated September 6, 2005 (Attachment) disagreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Norwalk-La Mirada Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 155,042	\$ —	\$ (155,042)
Materials and supplies	—	—	—
Subtotals	155,042	—	(155,042)
Indirect costs	10,465	—	(10,465)
Total costs	<u>\$ 165,507</u>	—	<u>\$ (165,507)</u>
Less amount paid by the State		(100,964)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (100,964)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 122,667	\$ —	\$ (122,667)
Materials and supplies	—	—	—
Subtotals	122,667	—	(122,667)
Indirect costs	8,292	—	(8,292)
Total costs	<u>\$ 130,959</u>	—	<u>\$ (130,959)</u>
Less amount paid by the State		(91,639)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (91,639)</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Salaries and benefits	\$ 121,871	\$ —	\$ (121,871)
Materials and supplies	—	—	—
Subtotals	121,871	—	(121,871)
Indirect costs	9,043	—	(9,043)
Total costs	<u>\$ 130,914</u>	—	<u>\$ (130,914)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2000, through June 30, 2003</u>			
Salaries and benefits	\$ 399,580	\$ —	\$ (399,580)
Materials and supplies	—	—	—
Subtotals	399,580	—	(399,580)
Indirect costs	27,800	—	(27,800)
Total costs	<u>\$ 427,380</u>	—	<u>\$ (427,380)</u>
Less amount paid by the State		(192,603)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (192,603)</u>	

<sup>1</sup> See the Finding and Recommendation section.



# Finding and Recommendation

## **FINDING— Unallowable salaries, benefits, and related indirect costs**

The district claimed unallowable salaries and benefits of \$399,580 for the audit period. The related indirect costs total \$27,800. Costs claimed were not adequately supported by source documents, or were not related to the mandate program.

1. The district claimed \$21,106 for random selection process. The claims were based on employee declarations prepared at the end of each fiscal year. The district provided the estimated monthly hours for each employee claimed. The district did not provide specific details as to the time, date, or nature of activities claimed to support the hours.
2. The district claimed \$378,474 for schoolsite capacity that was not related to intradistrict attendance. The district claimed hours spent on general schoolsite facilities planning. The district did not provide documents to show that general school site facilities planning affected determination of schoolsite capacity.

Furthermore, the district supported the claims with the same type of documentation used to support random selection process costs. The claims were based on employee declarations prepared at the end of each fiscal year with estimated monthly hours for each employee claimed.

A summary of the audit adjustments to the salaries and benefits and to the related indirect costs follows.

	Fiscal Year			
	2000-01	2001-02	2002-03	Total
Salaries and benefits:				
Random selection process	\$ (7,548)	\$ (6,485)	\$ (7,073)	\$ (21,106)
Schoolsite capacity	(147,494)	(116,182)	(114,798)	(378,474)
Total salaries and benefits	(155,072)	(122,667)	(121,871)	(399,580)
Total related indirect costs	(10,465)	(8,292)	(9,043)	(27,800)
Audit adjustments	<u>\$(165,507)</u>	<u>\$(130,959)</u>	<u>\$(130,914)</u>	<u>\$(427,380)</u>

*Parameters and Guidelines* specifies that all costs claimed must be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, etc.) and/or worksheets that show evidence of and validity of such claimed costs. *Parameters and Guidelines* also states, “Once the intradistrict transfer is selected, intradistrict attendance in excess of schoolsite capacity as established by the district shall be determined by a random, unbiased process. . . .”

### Recommendation

We recommend that the district establish and implement procedures to ensure that claimed costs are applicable to and reimbursable under the parameters and guidelines of the mandated program. All costs claimed should be properly supported with source documents such as time sheets.

## District's Response

### Employee Time Records

The draft audit report eliminates 100% of the claimed costs. Two reasons were stated, both related to the type of documentation provided in support of the claimed employee time. For the random selection process, the costs were disallowed because the source of the data was employee declarations. For schoolsite capacity, the costs were disallowed because the Controller asserts that the district documentation did not "show that the selected intra-district transfer affected schoolsite capacity." This latter statement by the SCO would seem to contradict the reality that every student transfer "affects" schoolsite capacity since it either increases or decreases the number of students enrolled at a school.

### Legal Requirements for Claim Preparation

The Controller concluded that the district did not comply with the parameters and guidelines. The parameters and guidelines require "all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs." Specifically, for employee time spent on the mandate, the parameters and guidelines require the District to:

"Identify the employee(s) and their job classification, describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study."

The audit report did not specify individual reasons for the disallowance of reported staff time. However, at the exit conference, SCO staff alleged several documentation deficiencies:

### Estimated Time

The Controller asserts that the District employees reported estimated times rather than actual number of hours spent on the mandated activities. The time reported by the District employees is not a simple estimate. The employee certifications are prepared by the employees and then signed by the employees. Each one of these employee time record sheets contains a periodic tally of time spent by the employee on mandated activities. The amount of time spent on repetitive activities was determined by the number of activities and the average time for each activity.

### Average Time

The Controller concluded that some of the staff time reports were based on average time and that the average time was not supported by a documented time study. There are no specific standards in the parameters and guidelines which determine what constitutes a documented time study. As a factual matter, the Controller has not shown how the District documentation in support of the average times is inadequate, nor how average time differs from "actual time" for cost accounting purposes.

### Declarations

The District reported staff time for this mandate using documentation which the Controller characterizes as “employee declarations.” The Controller has, as a matter of policy rather than law, rejected the use of employee declarations because they are not “contemporaneous” documentation and are without “corroborating evidence.” The parameters and guidelines do not provide advance notice that “declarations” are acceptable or unacceptable documentation, or that they must be contemporaneously completed. The Controller has concluded that since the parameters and guidelines makes no reference to the use of declarations to support claimed costs the declaration are insufficient documentation. If this “no reference to” standard were pertinent, then the Controller is enforcing a double standard. The parameters and guidelines “make no reference to” contemporaneous documentation or corroborating evidence, yet the Controller insists that such a standard must be applied. The employee time records satisfy the parameters and guidelines in that, as employee time records and/or worksheets, they are, themselves, source documents that show evidence of and the validity of the costs claimed.

### Monthly and Annual Summaries

The Controller asserts that a monthly or annual summary of staff hours spent on the mandated activities is unacceptable, especially if the data is reported several months after the end of the fiscal year. The Controller’s standard is that all mandate and non-mandate daily activities of each employee should be recorded contemporaneously on some sort of daily time sheet. This is a policy preference of the Controller and not supported by the parameters and guidelines or any other legal basis.

### Supporting Documentation

The Controller asserts that some reported time did not have supporting documentation. This is not a true statement. The parameters and guidelines do not say that declarations are unacceptable documentation without other source documents. The District’s employee certifications satisfy the parameters and guidelines in that, as employee time records and/or worksheets, they are, themselves, source documents that show evidence of and the validity of the costs claimed.

SCO's Comment

The fiscal impact of the finding and recommendation remains unchanged. The finding has been updated to clarify that the district supported the claims for schoolsite capacity costs with the same type of documentation used to support random selection process costs. Following are our comments on the issues presented in the district's response.

For the random selection process, the report is specific as to the deficiencies in the district provided documentation. For random selection process and schoolsite capacity costs, the deficiencies in the district's documentation were discussed with the district during a status meeting held on March 2, 2005, prior to the exit conference.

*Parameters and Guidelines* requires local entities to track the actual time devoted to each reimbursable function by each employee and further requires that all costs claimed must be traceable to source documents. The district supported costs claimed with estimates without any corroborating documentation to support the estimates reflected actual costs incurred.

The district is mistaken when it states that the SCO determined that schoolsite capacity costs were unallowable because "the district documentation did not 'show that the selected intra-district transfer affected schoolsite capacity'." The district documentation supported that the activity related to general school site facilities planning rather than the costs of reimbursable intradistrict transfer activities identified in the *Parameters and Guidelines*.

Furthermore, the district stated that the employees' "time record sheets contained a periodic tally of time spent by the employee on mandated activities. The amount of time spent on repetitive activities was determined by the number of activities and the average time for each activity." However, the district did not provide the auditors with such documentation.

Auditing standards require us to base our conclusions on sufficient, competent, and relevant evidence. We requested records from the district showing actual dates and actual hours worked (not estimates) for each employee it claimed. The district never provided the data. Thus, we found that the district neither used an acceptable documentation methodology nor adequately supported its claimed costs.

**Other Issues**

The district's response included comments regarding the SCO's authority to audit costs claimed for FY 2000-01, and a Public Records Act request. The district's responses and SCO's comments are as follows.

**Statute of Limitations**District's Response

The District's FY2000-01 claim was filed on January 11, 2002. Pursuant to Government Code Section 17558.5, this claim is subject to audit only until December 31, 2004. The audit report has not been issued yet. Therefore, audit or adjustment of this claim is barred by the statute of limitations.

SCO's Comment

The finding and recommendation remain unchanged.

The audit or adjustment of this claim is not barred by the statute of limitations.

*Government Code* Section 17558.5(a), in effect during the audit period, states that district's reimbursement claim is subject to an audit no later than two years after the end of the calendar year in which the claim is filed or last amended. The FY 2000-01 claim was filed in January 2002. We initiated this audit on October 1, 2004, which is prior to the statutory deadline to initiate an audit of December 2004.

**Public Records Request**District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period which defines "source documents" or declares that "declarations are unacceptable documentation."

Government Code section 6253, subdivision (c), requires the state agency which is the subject of the request, within 10 days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, please state the estimated date and time when the records will be made available.

SCO's Comment

In a separate letter dated September 22, 2005, we provided the district with copies of *Parameters and Guidelines* adopted May 24, 1995, and SCO claiming instructions dated September 1997.

**Attachment—  
District's Response to  
Draft Audit Report**

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**NORWALK-LA MIRADA**  
**Unified School District**  
*Commitment to Students*  
*Through Excellence in Education*

**BOARD OF EDUCATION**

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Pauline Deal <i>Vice President</i>	Gabriel P. Garcia <i>Member</i>	Ana Valencia <i>Member</i>
	Ed Hengler <i>Member</i>	Ginger Shattuck <i>Superintendent</i>

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 6, 2005

Mr. Jim L. Spano, Chief  
Compliance Audits Bureau  
California State Controller  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Norwalk-La Mirada Unified School District  
Chapter 161, Statutes of 1993 and Chapter 915, Statutes of 1993  
Intra-district Attendance  
Fiscal Years 2000-01, 2001-02, and 2002-03

Dear Mr. Spano:

This letter is the response of Norwalk-La Mirada Unified School District to the letter of Vincent P. Brown dated August 15, 2005, and received by the District on August 24, 2005, which enclosed a copy of your draft audit report of the District's Intra-district Attendance annual reimbursement claims, for the period of July 1, 2000 through June 30, 2003.

**Employee Time Records**

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Sincerely,



Maureen Saul, PHD, Assistant Superintendent  
Norwalk-La Mirada Unified School District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**